

Marsh Super Study

Key Sales/Financial Performance Figures of the Cigarette Category



Presented by R.J. Reynolds Tobacco Company

Marsh Super Study

For the first time, you have a comprehensive

analysis of the regional supermarket industry.

This study is the first to provide you with

a detailed, comprehensive analysis of the

industry's performance.

Marsh Super Study is based on data compiled

from a comprehensive survey of regional

supermarkets. The study provides you with

a comprehensive analysis of the industry's

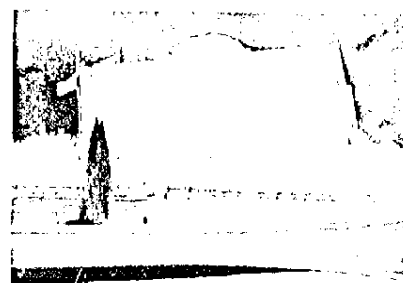
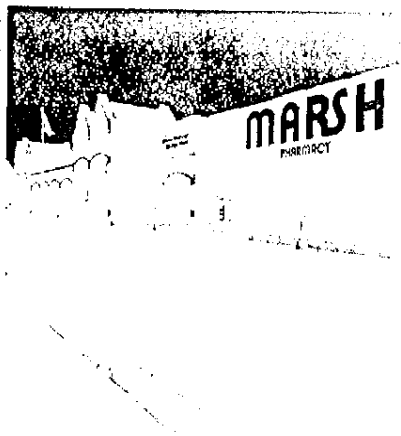
profitability, its operating costs, and the

and profits of a regional supermarket.

Marsh Super Study will provide you with

valuable new benchmark for evaluating and

enhancing your own operations.



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R.J. Reynolds' Sponsorship

We are proud to be a sponsor of this major study of the "what and why" of youth cigarette use. This landmark research effort in RJR's continuing corporate research activities will point toward building the business of our business partners.

The scope of the March Study allows you to see the cigarette category in even clearer perspective, in relation to every other category's dollar contribution. The results will help and build on the impressive numbers already achieved in several previous RJR sponsored studies.

SUPERMARKET
DPP 1

DRUGSTORE
DPP 1

SUPERMARKET
DPP 2

SUPERMARKET
DPP 3

Cigarette Merchandising in the Study-Group Stores

The configuration and placement of the merchandising fixtures in the study fixtures are as follows:

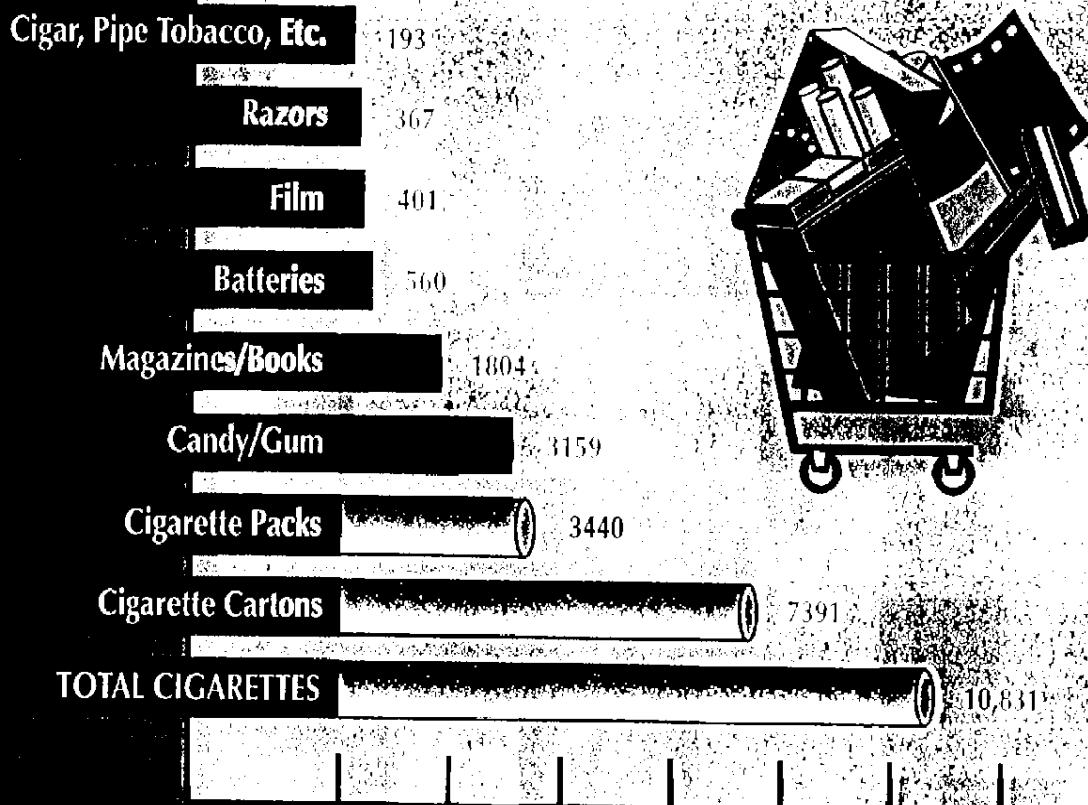
- Full price cartons are merchandised on a self-service end cap.
- All pack and full price brand cartons are merchandised on a self-service end cap.

It is important to point out that the study was designed to measure the impact of the study fixtures on the sales of cigarettes. The study was not designed to measure the impact of the study fixtures on the sales of other products.



Weekly Dollar Sales - Front End

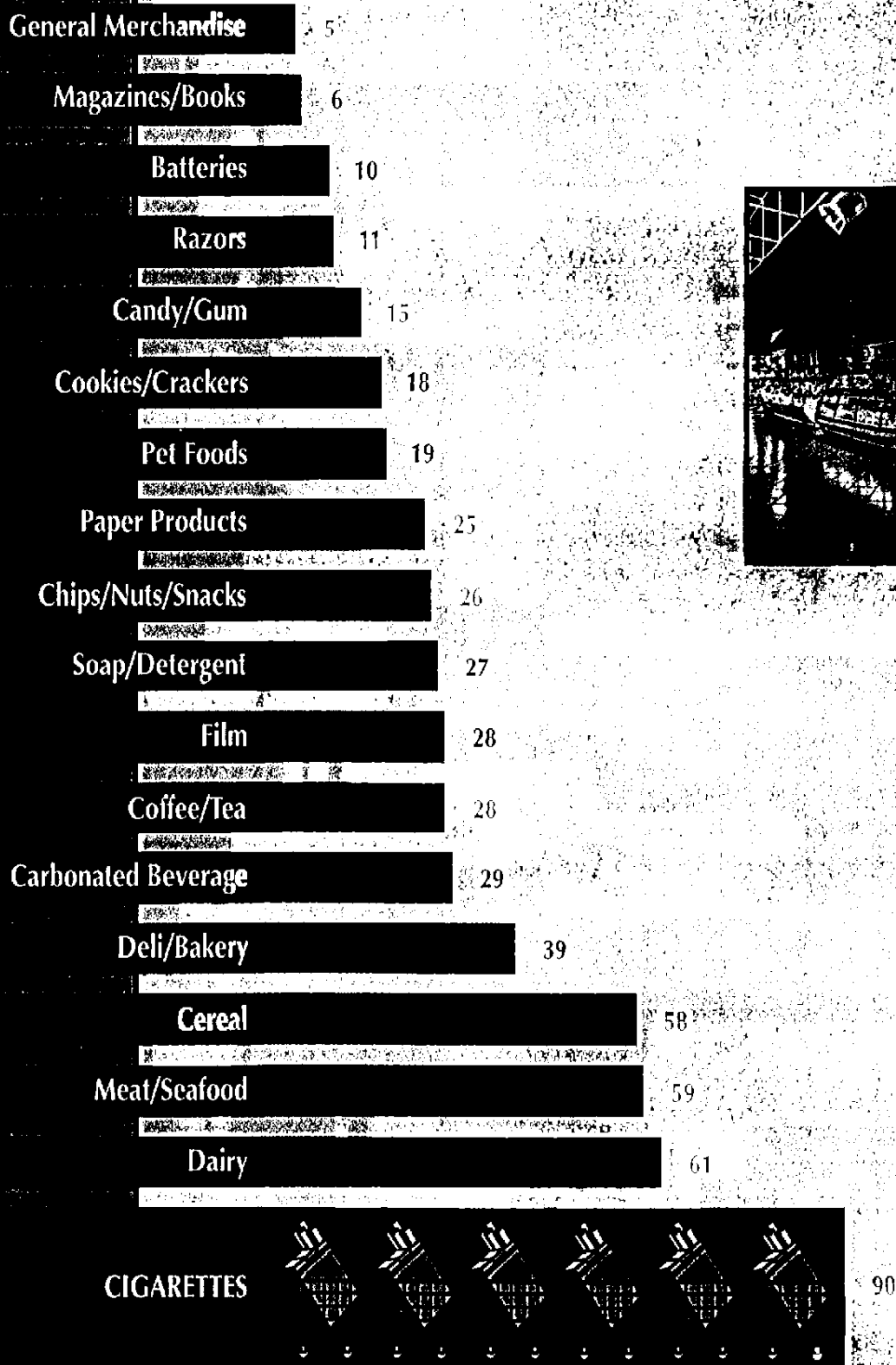
Of all the categories sold at the Front End, Cigarettes have the highest percentage of All Commodity Volume -- generating the highest dollar sales per week.



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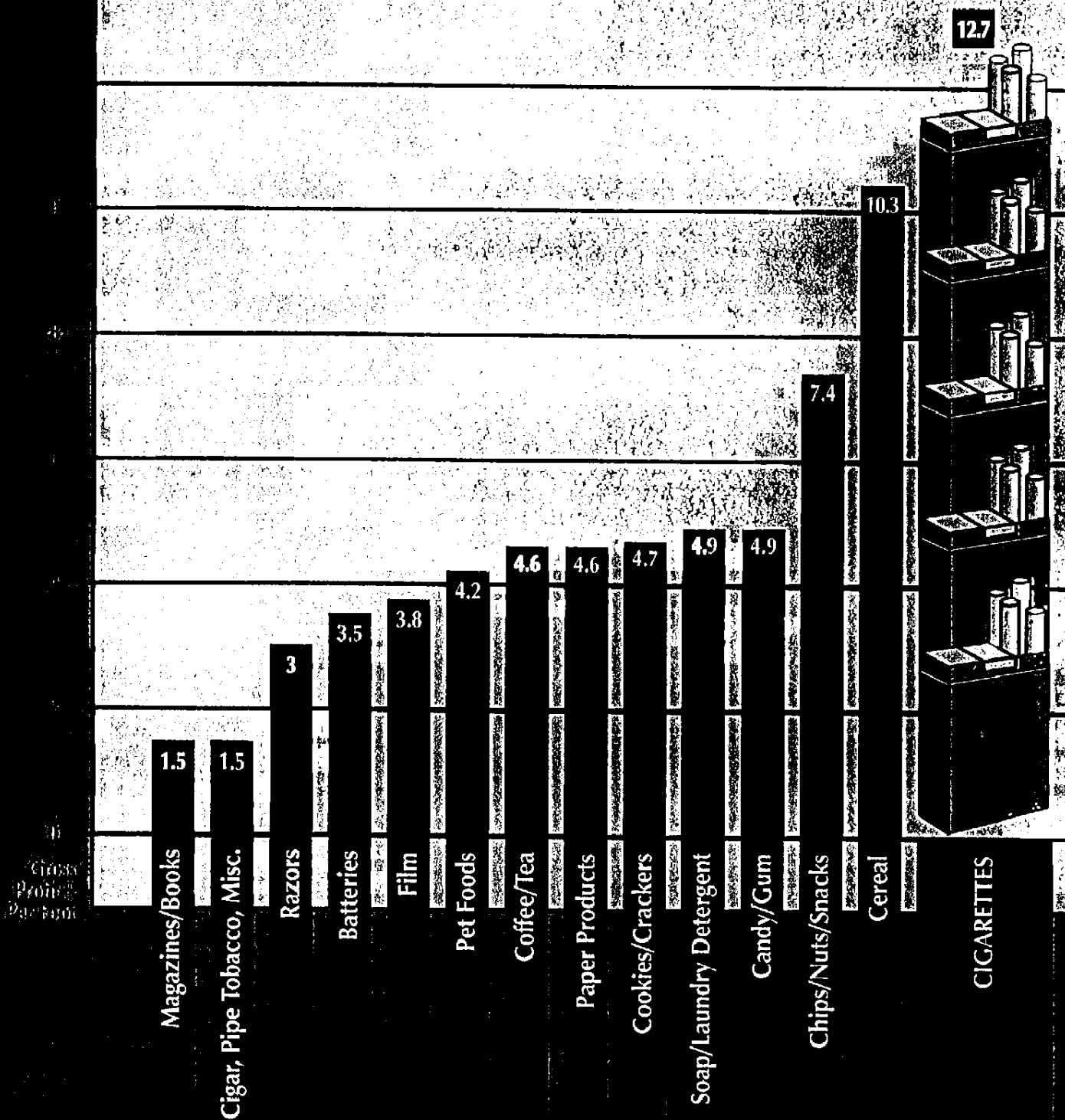
Weekly Sales Per Linear Foot

Of all the categories sold throughout the store, Cigarettes are the most efficient, generating the highest Dollar Sales Per Linear Foot: \$90 per foot per week, compared to the next-highest categories, Dairy (\$61) and Meat/Seafood (\$59).

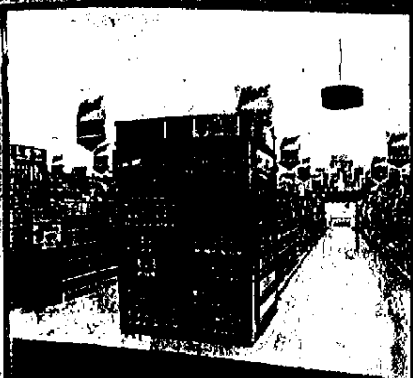


Weekly Gross Profit Dollars Per Linear Foot

Of all the categories sold in Dry Grocery, Cigarettes are the leader in Gross Profit Dollars Per Linear Foot.



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What Is Direct Product Profit?

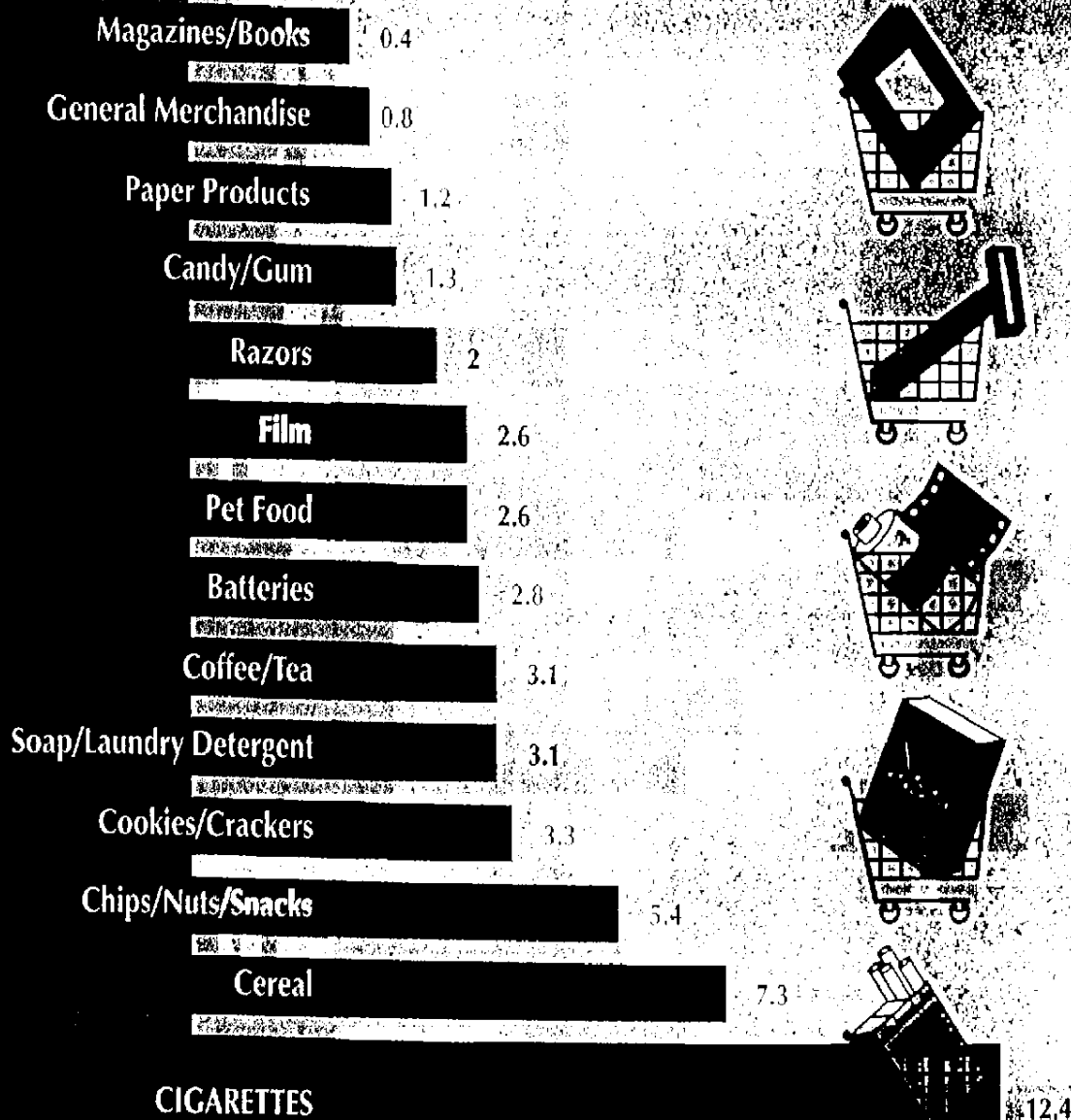
DPP is a measure of the contribution of a product to a retailer's bottom line. It is calculated by subtracting the cost of the product (including the cost of the product, plus freight, and warehousing/transportation) from the category's gross profit.

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The DPP calculator is a tool that helps retailers understand the contribution of each product to their bottom line. It is a simple tool that can be used by anyone who is interested in understanding the contribution of each product to their bottom line.

Weekly DPP Dollars Per Linear Foot

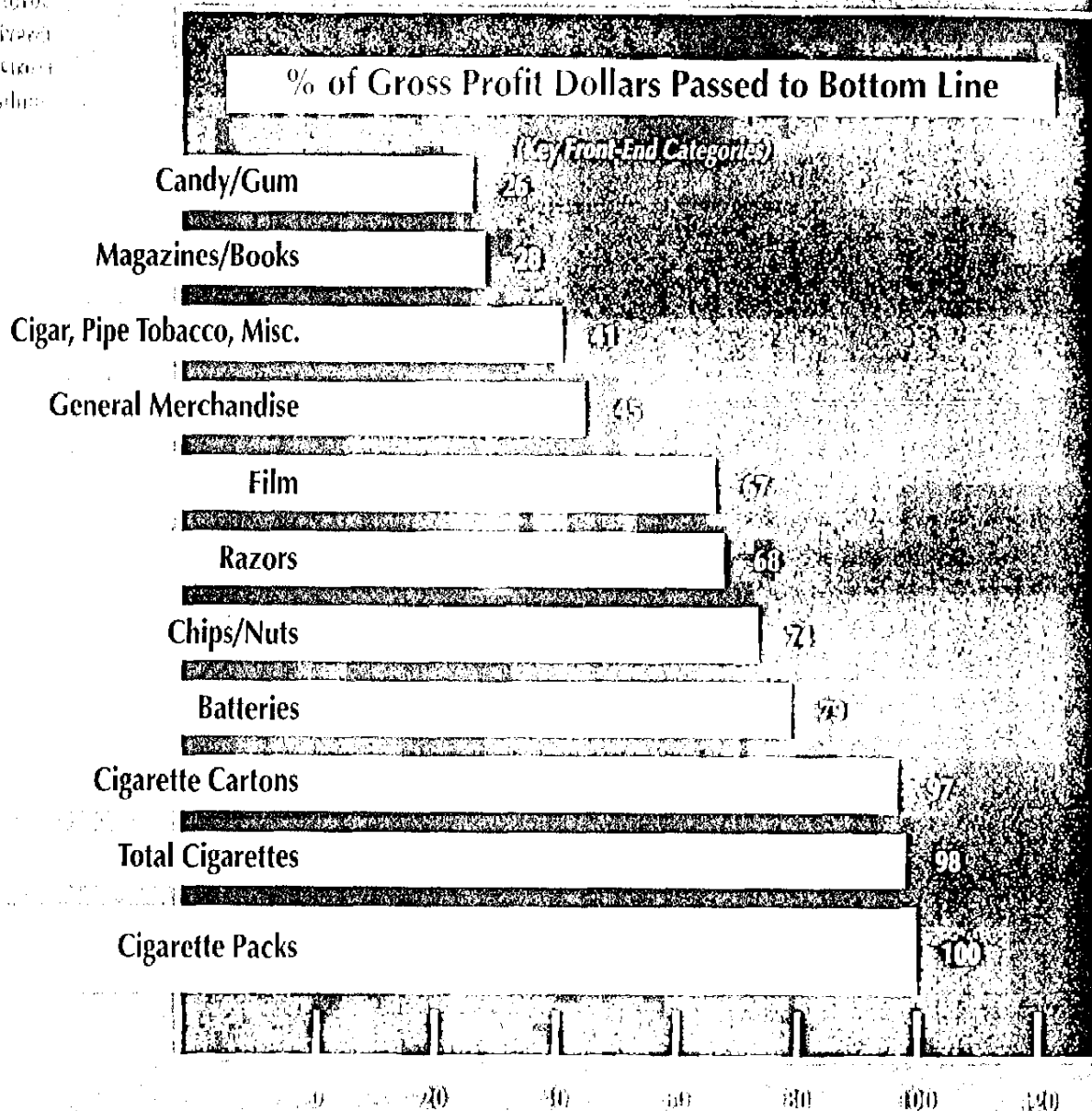
Cigarettes are also the leading category in Direct Product Profit (DPP) Per Linear Foot



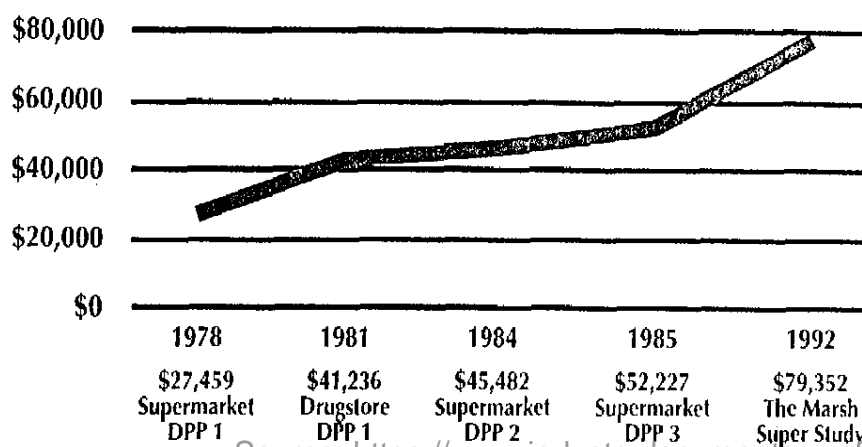
Percentage of Front-End Profit Delivered to the Bottom Line

The Cigarette Category's display
percentage over 90% of the
like categories shows that the
Front-End categories show a high
level of profitability. The Cigarette
Category's display percentage
is significantly higher than the
other categories.

R.J. REYNOLDS



Cigarettes Continue to Represent Big Gross Margin \$



In Addition, Cigarettes' Gross
Margin Has Increased Steadily.

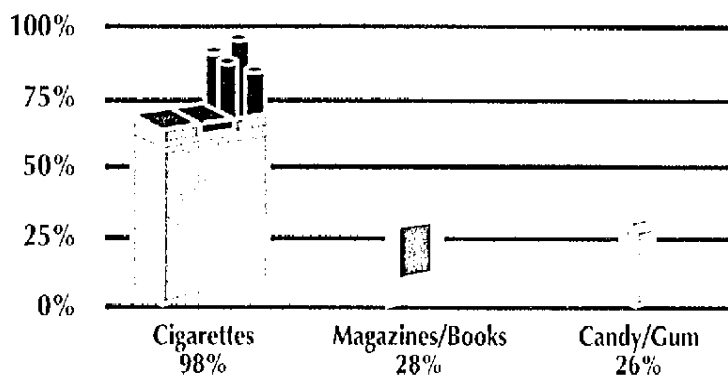
Only the Cigarette Category's high
percentage of gross margin in the
bottom line has allowed it to
maintain its position as the most
profitable category in the industry.

Source: Industry Documents, UCSF, 1992
Cigarette Category's Gross Margin
Study, 1978-1992

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A Leader at the Front End

Cigarettes are the leader among the best-selling Front-End items, in terms of the percentage of Gross Margin delivered to the bottom line.

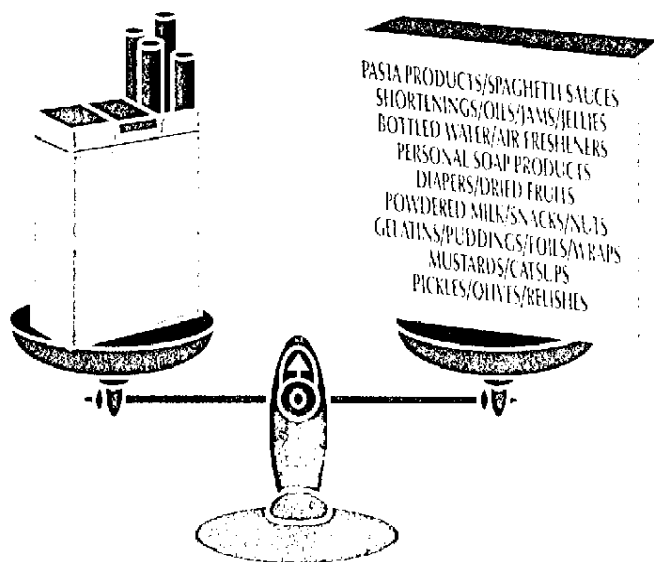


The Cigarette Category Continues To Be a Dominant Store Performer.

The Cigarette Category continues to be a dominant store performer. Cigarette Category sales and profit strongly contributed to the store's financial performance. The Cigarette Category's performance is a key driver of the store's overall profitability. The Cigarette Category's performance is a key driver of the store's overall profitability.

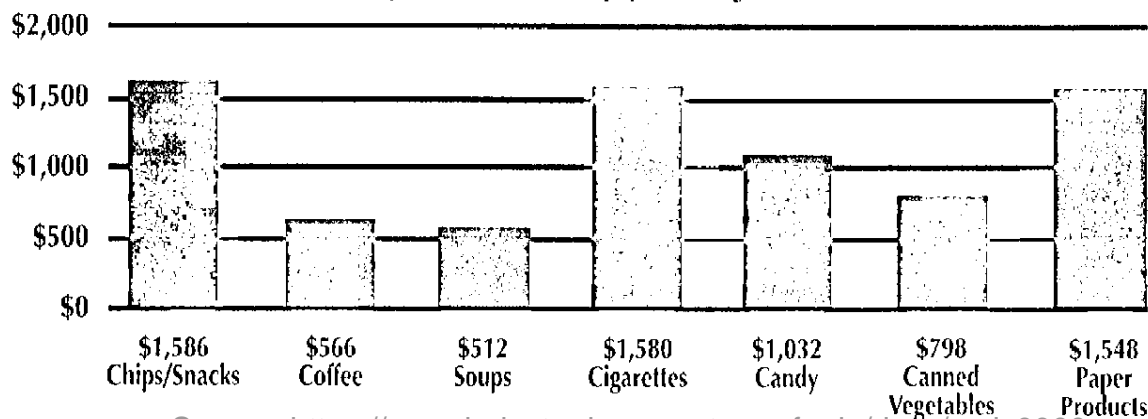
A Leader in Dollar Sales Storewide

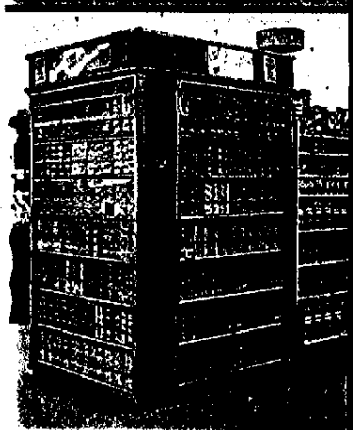
The weekly sales performance of Cigarettes equals the dollar sales of all the following products combined:



A Leader in Gross Profit Storewide

The Cigarette Category's weekly Gross Profit contribution is \$1,580 -- compared to these other popular categories:

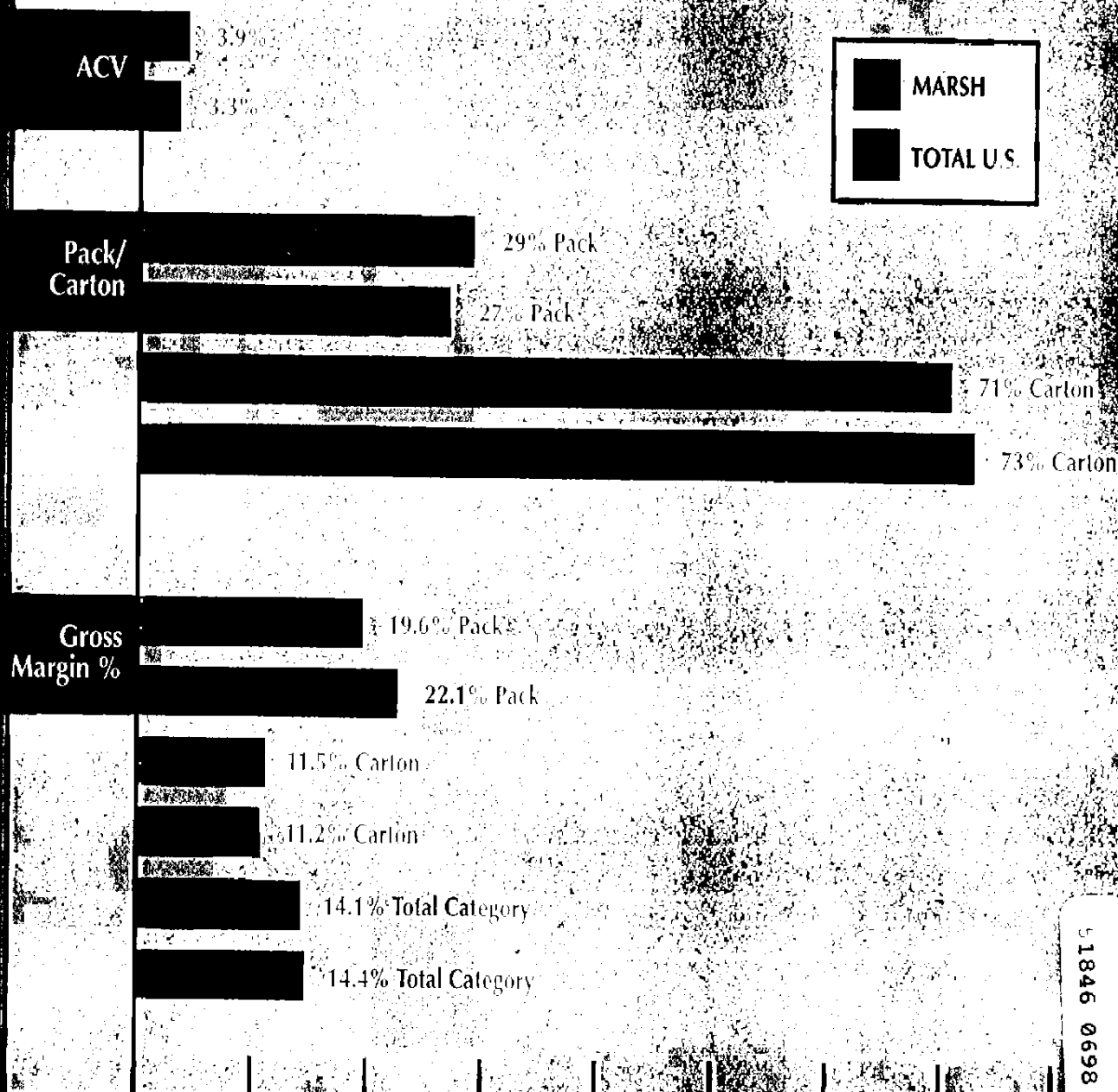




Comparison of Total Cigarette Performance

When about the national cigarette market, Marsh Supermarkets
category leadership, but you can see below, if key sales and
profitability figures for the cigarette category are comparable
to those of the total U.S.

Comparison of Total Cigarette Performance



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To Be Continued...

The following is one of a series of special

RRR produced reports on the cigarette
portion of the Marsh Super-South.

We'll continue to provide you with

valuable information that is directly

relevant to your cigarette sales and

profits. At RRR, we're working hard to

help you succeed.

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